

Financial Management Solutions

**Classified Finance and Accounting
Operations Conference**

23 June 2004

Agenda

- Brief History
- FMS Components
- Vision, Mission, Goals
- Program Structure
- Specific Functionality
- Systems Impact
- System Timeline
- Program Timeline
- Management Control Program
- Audit Assessment
- Audit Assessment Timeline

Brief History

- Mar 2000: NSA Decision to consolidate and modernize financial systems
- Oct 2001: DoD placed hold on all financial upgrades/replacements
- Mar 2003: DoD approves NSA as IC Pilot of COTS financial system
- Mar 2003: PeopleSoft selected
- Dec 2003: Contract awarded to ACCENTURE to implement FACTS and conduct Audit Assessment and Management Control Program.

Status: In Design Phase

- Going Well
- Completed first round of Conference Room Pilots; second round being scheduled
- Configuration of software has begun
- IOC is planned for 2nd Quarter FY 2005

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1) Financial Systems Integration

PeopleSoft Financials, a COTS product, will become the Agency's single source of financial data and information

2) Audit Assessment

A detailed assessment of the readiness of NSA's business systems, policies and procedures to sustain an audit in support of the following objectives

- **Audit of Statement of Budgetary Resources (FY05)**
- **Qualified opinion (FY06)**
- **Unqualified opinion (FY07)**

3) Management Control Program

Design a new program this year to develop and maintain management controls / Implement possibly incrementally

Vision - Mission - Goals

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Vision

One Source of Truth for Business Decisions

Mission Statement

Your Financial Management Solutions (FMS) program will provide NSA with modern, secure, leading edge business solutions that will comply with external regulatory guidance and audit requirements, achieve standardization and integration of business systems and processes, and deliver credible business information needed for mission success.

Goals

Reliable business data

Auditable business systems and processes

Visible business information

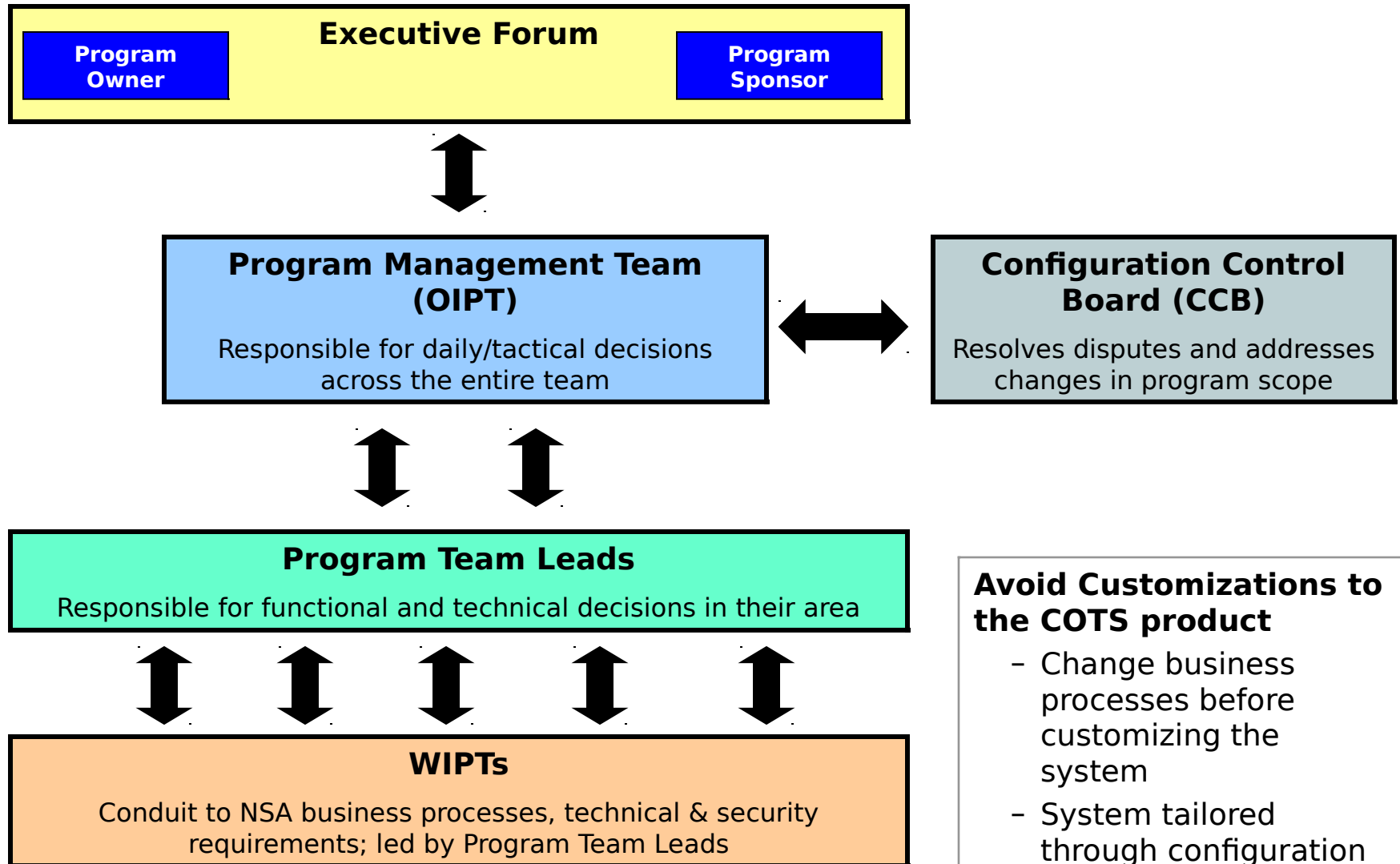
Efficient allocation of resources

Next generation of business systems

System integration

Program Structure

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Specific Functionality Addressed

Increment One

- **Core Financials Project**
(General Ledger Management, Receivable Management, Payment Management, Cost Management, Cash Management, Funds Control, and Budget Execution)
 - **Financial Business Reporting**
(Business Intelligence and Ad hoc Reporting)
 - **Audit Assessment & Management Controls**
-
- **Funds Management Project**
(Budget Preparation, Budget Formulation, and Funds Allocation)
 - **Acquisition**
(Procurements (PRs) and Micro-purchasing)

Increment Two

- Supply Chain Management
- Time and Labor
- Project Portfolio Management
- Asset Management
- Travel and Expense
- Contracts

Systems Impact at First IOC

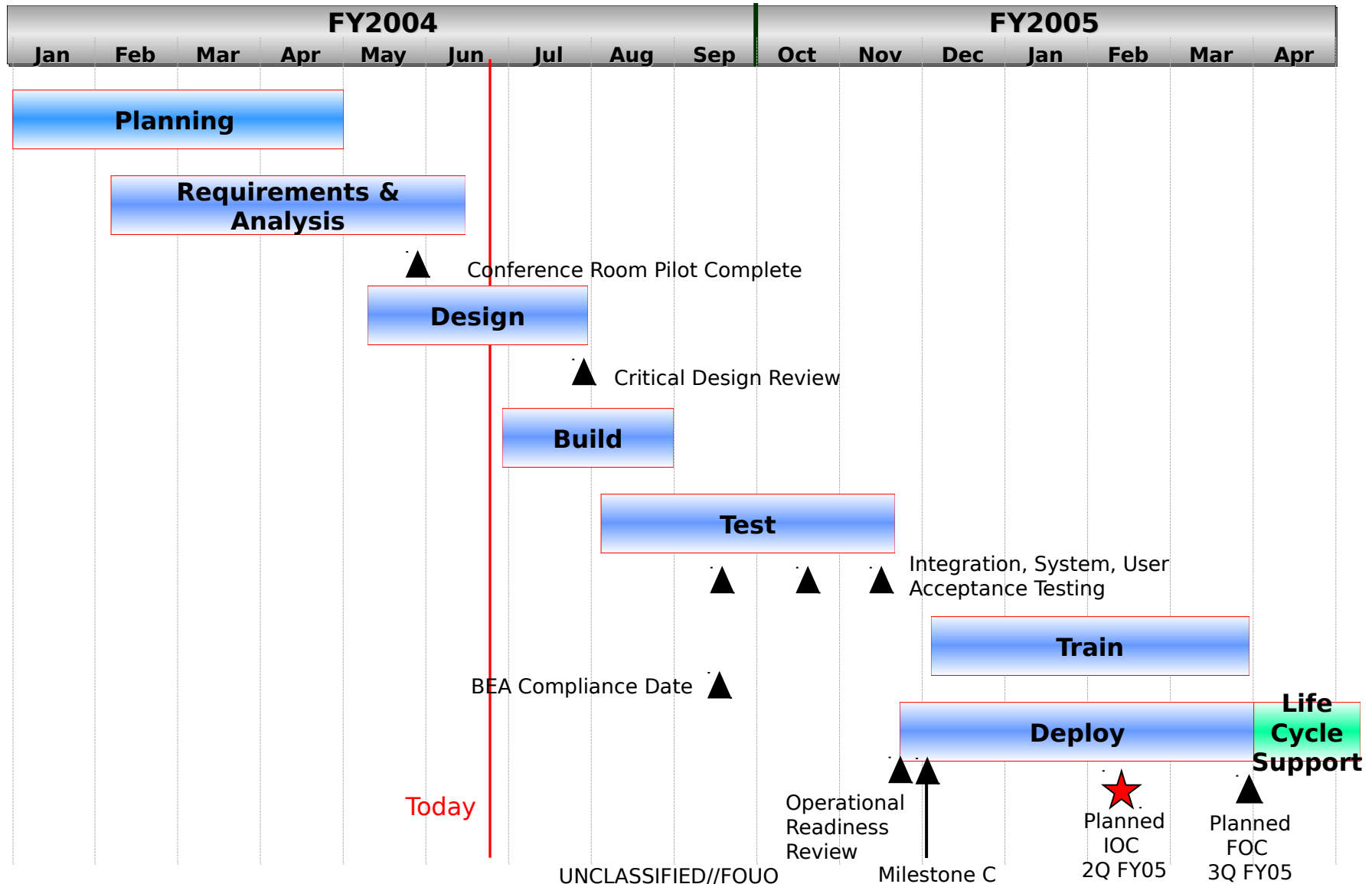
- FMS will ultimately replace over 35 legacy systems; Core Financial & Reporting Impact at the First IOC (2QFY05):

Systems Replaced in Current Phase

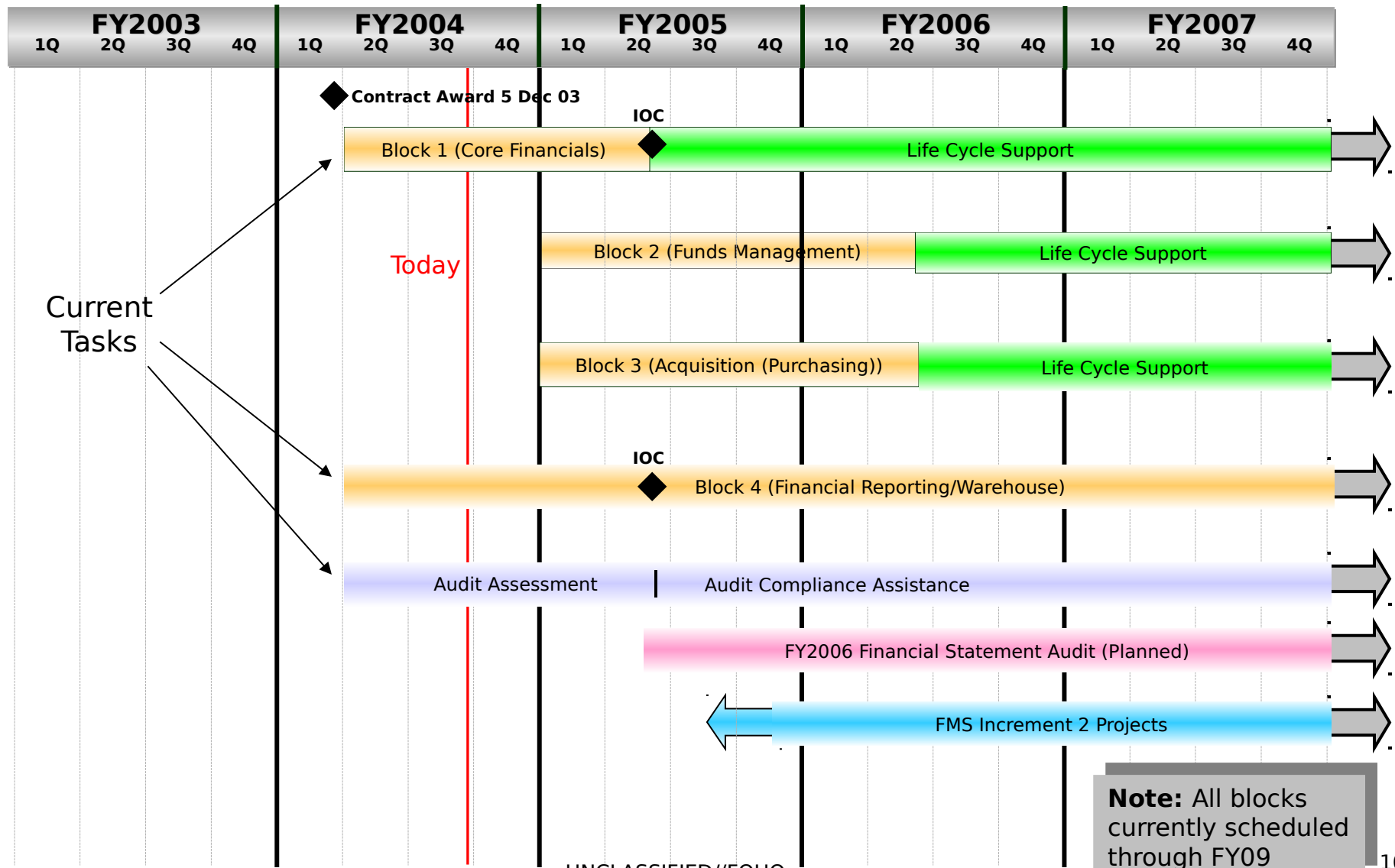
- APPS (Accts Payable Proc System)
 - CAMS (Cash Management System)
 - CMORE (Corporate Mgt Online Reporting) – now Highstreet
 - DAPS (Disb Automated Proc System)
 - FMS (Foreign Military Sales)
 - GAC (General Accounting and Reporting)
 - IIS (Invoice Information System)
 - MIPR (Military Inted Purch Req System)
 - OIPS (Online Invoice Processing System)
 - Trinity
 - Waco
- *Note:* Modifications to systems above require CCB approval

Core Financial System Implementation Timeline

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FMS Program Timeline



Management Control

Short term improvements for FY04

- Modify Vulnerability Assessment Tool to incorporate;
 - NSA OIG Management Challenges
 - DoD Systemic Weaknesses
- Begin to identify and document existing processes and controls

Long Term Plan in Development

- Continuous evolution of NSA's management controls
- Agency-wide assessment of controls risk
- On-going monitoring of the effectiveness of controls throughout the year

Audit Assessment

Why?

- NSA has a legal requirement to become auditable
- OMB/Congress/CMS/DoD monitoring our progress
- OMB scores our progress as a part of the President's Management Agenda
- Will provide better more reliable information to help manage NSA

GOAL: Improve financial management and internal controls at NSA and thereby reach an Unqualified Audit Opinion

Audit Assessment

- Introduction
- Roles and Responsibilities
- Types of Procedures
- General Audit Assessment Approach
- Areas of Emphasis
- Other Audit Assessment Procedures
- Audit Assessment Timeline

We have received criticism...

“We found that the NSA ...continued to produce unreliable financial statements ... because they lack compliant accounting systems, did not devote adequate resources to financial operations, and had not implemented prior audit recommendations...”

Director, Defense Financial Auditing Service, OIG, DoD, to House

...but our progress is being recognized...

“The Committee commends the Director of NSA for the progress made in the presentation and format of the Congressional Budget Justification Book (CBJB) the progress made in this single year is noteworthy.”

-S. Rep. 108-44, 8 May 2003

and internal support is very strong.

“An opportunity to change our financial systems comes across only every twenty years. This is our chance to do it right and I want everyone to get on board.”

-NSA Director Lt Gen Hayden, 29

Jan '04 “The audit is not the goal. Making NSA auditable and staying auditable in the long term is the goal. We need to fix our processes to achieve that.”

-NSA Deputy Director Black, 4

May '04

Roles and Responsibilities

NSA

- Fair presentation of the financial statements
- Timely responses to audit requests, including:
 - Make Personnel available to answer questions
 - Provide sufficient evidential documentation
- Representation letters:
 - Management
 - Legal

Audit Assistance

Team

- Perform work in compliance with Applicable Standards
- Provide our conclusions concerning:
 - Auditability of Financial Statements
 - Effectiveness of design and operation of key financial statement internal controls
 - Any non-compliance with laws and regulations

Communications

- **Entrance Conference with each Process Owner**
 - Customized Briefing
 - Detailed Timeline with Resources
 - List of Information that will be Requested
- **Process Owner's Resolution Team**
 - Should include a senior Process Owner's Representative and 1-3 subject matter experts
 - Meetings will be scheduled as issues are identified
 - Minimum of three meetings (beginning, mid-point, and closure)

Types of Procedures

- Inquiring
- Observing
- Inspecting
- Confirming
- Re-performing
- Analytical Procedures
- Detail Testing

General Audit Assessment

Step 1

Document Processes and Controls

- Inquire of Management on the key financial processes and controls
- Identify key control procedures and identify gaps in their design or implementation
- Assess the proper design of controls, including, monitoring controls.

Step 2

Test Effectiveness of Key Controls

- Request downloads
- Select samples
- Perform control tests
- Discuss results with Management
- Determine reliance on internal control

Step 3

Substantive Tests

- Extent of testing based on reliance on controls
- Discuss the benefit of performing substantive testing with CFM/ Comptroller
- Develop estimate of substantive procedures to be performed:
 - Analytical procedures
 - Detailed tests

Areas of Emphasis

Assessable Unit	Processes
Budgetary Resources	<ul style="list-style-type: none"> • Budgetary Resources • Status of Resources • Outlays
Fund Balance with Treasury and Cash/Other Monetary Assets	<ul style="list-style-type: none"> • Receipts • Disbursements
Financial Management Systems	<ul style="list-style-type: none"> • General Controls • Application Controls • Limited Vulnerability Assessment • Diagnostics • FMS ERP Implementation
Property, Plant and Equipment, Inventory	<ul style="list-style-type: none"> • Acquisition and Disposals • Beginning Balances • Depreciation • Physical Control
Accounts Payable and Accrued Expenditures/Related Expenses	<ul style="list-style-type: none"> • Disbursements • Accrued Expenditures
Accounts Receivable and Accrued Revenue/Related Earned Revenue	<ul style="list-style-type: none"> • Earned Revenue and Accrued Revenue
Salaries and Payroll	<ul style="list-style-type: none"> • Compensation • Benefits • Imputed Financing
Financial Reporting	<ul style="list-style-type: none"> • MD&A • Performance Measures • FMFIA Assurance Statement • Financial Statements • Note Disclosures • RSSI and RSI
Net Position and Other Assets/Liabilities	<ul style="list-style-type: none"> • Budgetary Sources/Uses • Financing Sources/Uses • Other Assets/Liabilities

Other Audit Assessment Procedures

- Field Sites
- Beginning Balances
- Classified Information
- Legal Representation Letters
- Management Representation Letters
- Non-NSA Processing Entities
- Year-end Procedures

Timeline

	May					June				July				August					September				October				November				December				January					
Week Beginning >>>>	3	10	17	24	31	7	14	21	28	5	12	19	26	2	9	16	23	30	6	13	20	27	4	11	18	25	1	8	15	22	29	6	13	20	27	3	10	17	24	31
Team A																																								
Budgetary Resources																																								
Fund Balance / Cash																																								
AR and Revenue																																								
Financial Reporting																																								
Team B																																								
PPE and Inventory																																								
AP and Expenses																																								
Salaries and Benefits																																								
Net Position / Other																																								
Audit / Miscellaneous																																								
Team C																																								
General Controls																																								
Vulnerability Assessment																																								
App. Controls - DPAS																																								
App. Controls - APPS/DAPS																																								
App. Controls - GAC																																								